Africa

> "The President's trip showcased the progress that Africa has made economically and politically. Clearly, Africa is accelerating policy changes to liberalize trade, build markets, strengthen institutions, and pursue democracy. There is still a long road to travel, but Africa is starting on the superhighway to the global economy."
>
> J. Brian Atwood, Administrator
> Agency for International Development

This past year has unfolded as a particularly exciting time in our trading relationships with Sub-Saharan Africa. Renewed interest in Africa, highlighted by President Clinton's historic visit to Africa in March, comes at a time of encouraging economic prospects in the region. Today, the United States is working to give substance to a new paradigm of *"Trade and Aid"* that envisions a real partnership, with benefits for businesses and workers on both sides of the Atlantic.

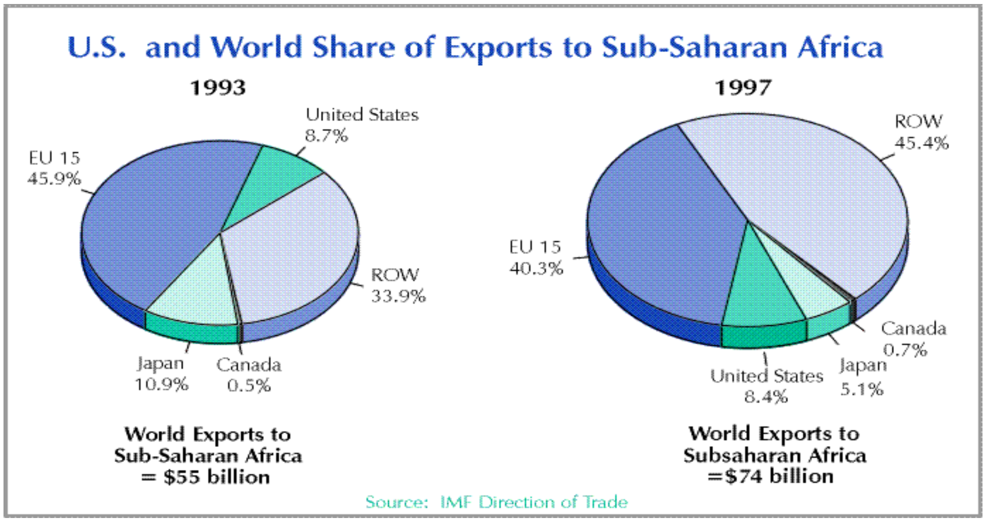
The African Growth and Opportunity Act (AGOA) passed the House in March, just before President Clinton's departure for Africa. Although the Senate has not passed the bill, it remains one of the President's highest priorities and continues to enjoy broad bipartisan support. The legislation has energized the policy debate about Africa and stimulated new thinking within the Clinton Administration. In 1997 the President unveiled his Africa Initiative, *The Partnership for Economic Growth and Opportunity in Africa*, which closely parallels AGOA.

The Partnership and the AGOA both aim to transform Africa from aid dependency to a commercial partnership with the United States, and to integrate Africa more fully into the global economy. The TPCC agencies are working in concert on policy initiatives to accelerate our commercial momentum.

Africa is important to the United States on several levels. The Sub-Saharan region is the ancestral home of more than 33 million Americans. Some 10 percent of the world's population resides in the 48 countries of the region. And the continent's wealth of human and natural resources remains largely underdeveloped. As a result, the countries of Africa pose both opportunities and difficult development and humanitarian challenges.

Africa's Political and Economic Transformation

The Administration's expanded policy focus on Africa reflects the unprecedented—and unheralded—political and economic transformation that has been occurring over the past decade within Africa. More than 30 countries have held elections during the



1990's. As democracy takes root and spreads, it brings with it predictability, accountability, and the rule of law—essential elements in building a climate of business confidence.

Accompanying the democratic revolution is an impressive wave of economic reform. Upwards of 30 countries have instituted programs to dismantle discredited state-centralized economic systems and to initiate free enterprise systems. These measures have contributed to rising economic growth rates. According to the IMF, Sub-Saharan Africa in 1997 experienced 4.0 percent real growth with projections for 1998 and 1999 of 4.1 percent and 4.8 percent respectively. Several countries have experienced growth rates above 6 percent.

As economic reforms are implemented, African countries are becoming larger players in the global trading system, and U.S. exporters are playing a larger role. U.S. exports to Sub-Saharan Africa soared 14 percent in 1996 to top $6 billion, moving the United States to third place among industrial country suppliers to Sub-Saharan Africa.

1997 witnessed virtually no growth in our exports to Sub-Saharan Africa. However, the graphs above show that while our European and Japanese competitors lost market share from 1993 to 1997, U.S. exporters essentially maintained their market share. 1998 may usher in a period of slower growth in exports to Africa from all industrialized countries as the Asian financial crisis lowers Africa's hard currency revenues and the sharp decline of Asian currencies increases Asia's price competitiveness against Western suppliers. When this temporary downturn comes to an end, however, the Partnership will have served to position U.S. firms for a resumption of economic and trade growth.

Power Project in Ghana

Ghana: Westinghouse Corporation secured a $67 million loan guarantee for the construction of two barge-mounted power plants under the Transportation Department, Maritime Administration's Title XI Ship Financing program. These barges will be chartered to the Ghana National Petroleum Corporation and will operate in Ghana using locally produced natural gas. Ultimately, this project will involve sales of $326 million in U.S. goods and services.

A New Focus on Africa

President Clinton's Africa trip was an historic milestone, the first significant visit to Sub-Saharan Africa by a U.S. President in 20 years. Most importantly, the trip laid a foundation for a number of ongoing cooperative initiatives between Africans and Americans in the fields of *regional security, civil aviation, education, health care, nutrition, the environment,* as well as in *trade and investment*—all supportive of the goal of sustainable development. Secretary of Commerce William Daley, Secretary of Transportation Rodney Slater, and Secretary of Labor Alexis Herman accompanied the President on his various stops in Africa.

One of the highlights of the President's Africa trip was the opening of the *Ronald H. Brown Commercial Center in Johannesburg*, the first U.S. commercial center on the African continent. The Commercial Center will be a "home away from home" for U.S. companies developing commercial ties with African partners by providing U.S. business executives a full range of support facilities.

TPCC agencies are committed to high-level follow-up on the multiple initiatives stemming from the President's visit. Secretary Daley is looking forward to returning to Africa to lead a Presidential Trade Mission. Secretary Slater returned to the continent to advance the Safe Skies and other transportation initiatives. Secretary Rubin led a group of U.S. financial services firms to the continent's key banking centers. Ex-Im Bank President Harmon had a successful visit to South Africa and will travel to several other potential customer countries.

Integrating Africa into the Global Economy

Africa has not benefitted from the growth of world trade and the resulting spread of global prosperity of recent years. In fact, between 1955 and 1990, Africa's share of world trade declined by half. Over the same period, the region's GDP growth stagnated and private investment flows dwindled. Recognizing the interest of many African countries since 1990 in turning this situation around through internal economic and political reform, the United States and the other industrialized nations comprising the Group of Seven have determined to help integrate Africa more fully into the world economy. This partnership has contributed to a turnaround in Africa's fortunes.

A World Bank study has shown that Africa's marginalization from the world trading system is not due to import restrictions in developed markets, but rather to Africa's own highly restrictive import regimes. African nations impose some form of non-tariff barrier against more than a third of their imports, a ratio almost nine times higher than the average for high-growth developing countries. Import tariffs in Sub-Saharan Africa average 27 percent, compared to nine percent in the fastest-growing exporters of the developing world. This protectionism operates as a hidden subsidy to inefficient, non-competitive industries, and costs the region an average of $11 billion per year in trade losses.

African Partnership and a Commercial Strategy for Africa

Many African countries have stimulated economic growth by taking bold measures to open, liberalize, and privatize their economies. The most dramatic results have come when countries have focused on three areas: *liberalization of trade and investment, investment in human resources, and improvement of policy management and governance.* The President's Partnership for Economic Growth and Opportunity in Africa emphasizes support for countries such as these that are most likely to be the engines of growth on the African continent. The *bilateral component* features three progressive levels of participation by African nations and features escalating incentives for African nations to implement growth-oriented policies that open their markets and liberalize their trade and investment regimes. As a starting point, the Partnership would stimulate commercial activity and government cooperation through broadly offered incentives, including broader duty-free access to the U.S. market and support for regional economic integration. More attractive and advanced forms of cooperation, such as debt reduction assistance, would only be available to countries who undertake accelerated reforms such as lowering tariffs, eliminating non-tariff barriers, or signing on to WTO disciplines. Substantial progress has been made under the Partnership this past year.

Strategic Initiatives of TPCC Agencies

Several TPCC agencies will be involved in supporting and implementing the commercial aspects of the Partnership. One starting point has been an information campaign both in Africa and here at home. In Africa, USIA will use a wide range of multimedia venues at its disposal to explain and interpret key provisions of the African Growth and Opportunities Act to audiences overseas. TDA, along with OPIC and Ex-Im Bank, is stationing a representative for three months this fall in Johannesburg to jointly promote the programs of the three agencies. Stateside, we are implementing an outreach program to U.S. business to spread the word on the region's growing commercial opportunities. Next, we must actively engage African governments in a bilateral dialogue to improve the commercial climate. Toward this end, a ministerial-level dialogue, the U.S.-Africa Economic Cooperation Forum, will be established to meet annually in order to raise the level and caliber of the dialogue between the United States and Africa's strongest reformers. The TPCC agencies will direct their programs to cultivate an improved business climate in Africa and to advance market liberalization—essential precursors to increased demand for U.S. goods and services.

USAID

USAID's Africa Trade and Investment Policy (ATRIP) program for FY98 consists of about $4 million in short-term technical assistance to advance policy reforms that help African governments liberalize trade, promote exports, and improve the investment environment for the private sector; and about $1million to identify market opportunities and increase two-way information flows between African and U.S. private sector interests. It is expected that ATRIP will have expanded resources to implement additional activities in FY99. The FY98 activities fit broadly under three headings:

1) ***Attacking red tape that stifles business in order to create a better climate for investment in Africa.*** Under the ATRIP program, USAID advisors, working with concerned governments and the business communities, will help to implement specific reforms to streamline registration of businesses, import clearances, site permits, and work permits for non-residents.

2) *Raising awareness of the benefits of trade liberalizing measures, and of Africa's new obligations under the World Trade Organization***,** so that African countries can "plug into" the global trading community. The main USAID-funded activity in this area will be a series of workshops followed by in-depth assistance with specific strategic, legal, or technical requirements.

3) *Strengthening trade liberalization in Africa, and providing catalysts to increased trade between Africa and the United States.* One example of activities that advance trade liberalization is USAID's initiative to promote electricity trade in Southern Africa. This initiative includes development of a planning model for electricity trade among 12 countries in the Southern African Power Pool. Over the next two decades, this effort could save customers hundreds of millions of dollars. To promote trade with the United States, USAID activities will fund a program in South Africa to help historically disadvantaged enterprises meet formal sector financial standards and develop commercially-viable business relationships with U.S. businesses. USAID will also fund workshops and a web site to familiarize African exporters with opportunities for access to the U.S. market. The web site will offer information on USAID's Global Technology Network project to provide "trade leads" to U.S. customers; USTR's Generalized System of Preferences for duty-free imports of LDC (Less Developed Countries) products; and U.S. rules and regulations on imports from Africa. In addition, USAID will support strengthened ties between African business organizations (such as the West African Enterprise Network) and similar U.S. business organizations. ATRIP will also support the creation of regional business organizations in East and Southern Africa.

TDA

TDA's vigorous Africa program is expected to continue growing as a percentage of TDA's budget, as it has every year since 1991, from eight percent ($2 million) of TDA's world wide program budget to 14% ($5.2 million) today. Over the past year, TDA has had a strong focus on the power generation and transportation sectors, including funding for the African Power Generation Conference in December and the Africa/Middle East Aviation Symposium in April. In coordination with the FAA, TDA also provided over $500,000 in grants to Ethiopia, Namibia, and the Southern African Development Community (a regional development organization) to support improved airport and air traffic control safety. This initiative supports the President's Safe Skies Initiative. In the coming year, TDA will focus on the telecommunications sector beginning with TDA's African Telecommunications & Information Technology Opportunities Symposium in Cape Town.

Developmental Objectives Lead to U.S. Exports

In 1988, the African Development Bank (ADB), of which the United States is a key shareholder, loaned the Ethiopian Ministry of Industry $108 million to build a sugar factory and ethanol plant. Ethiopia was expending precious hard currency reserves to import sugar, even though it was a producer of raw sugar. This project, therefore, was identified as critical to Ethiopia's economic development. When the Ethiopia Sugar Corporation, owned by the Ministry, issued a tender for the design, supply, construction, and commissioning of the Finchaa Sugar Factory and Ethanol Plant, an intense competition ensued between the U.S. firm F.C. Schaffer & Associates (Baton Rouge, La.) and European firms. In 1994, we reported on TPCC agency (TDA, OPIC, State,Treasury, and Commerce) assistance, which proved decisive to F.C. Schaffer & Associates' subsequent winning of an $82 million tender— the largest ever ADB-funded contract. The success of this one U.S. firm has led to a stream of follow-on sales for U.S. exporters. TDA estimates, to date, that 260 U.S. companies in 25 states have exported more than $47 million to this project.

Overseas Private Investment Corporation (OPIC)

OPIC announced the formation of the $150 million Modern Africa Growth and Investment Company in 1997. In December 1997, Transportation Secretary Slater and Representatives Rangel, Crane, and Jefferson joined OPIC President Muñoz to officially launch the fund. During his trip to Africa, President Clinton announced that OPIC would support one or more additional private equity funds with aggregate capital of up to $500 million. These funds are to be invested in privately sponsored infrastructure projects in sub-Saharan Africa.

> "The Department of Transportation is working to facilitate trade through partnering with Africans to develop safe and efficient transportation systems. Clearly, you can't trade if you can't get there. Working together, we can open new gateways to Africa for a new millennium."
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> Rodney E. Slater
> Secretary of Transportation
> U.S. Department of Transportation

U.S. Department of Commerce

The Department of Commerce is developing an Africa Commercial Strategy to implement the Partnership's commercial aspects. This is the first time that the entire Commerce Department—all agencies and units—will focus on a coordinated effort to enhance U.S. ties with Africa. This strategy centers around a series of trips that Secretary Daley is taking to Africa. These trips include a recent policy mission to Kenya, Tanzania, and South Africa to continue our commercial dialogue with African business and government leaders. In December, he will lead a trade mission to South Africa, Kenya, Côte d'Ivoire, plus other possible stops. This strategy includes an expansion of Commercial Service staff in Africa to bring on-the-ground support to U.S. firms. In addition, the Commerce Department has launched an initiative in cooperation with the insurance industry, to promote development of open and competitive insurance markets in emerging economies. This program, the "International Insurance Technical Assistance Partnership," can provide African countries with technical assistance to develop regulatory mechanisms that strengthen the insurance sector. Finally, the Commerce Department will bring to bear its far-flung expertise in technical areas such as commercial law development, standards, regulatory policy, statistics, and even weather forecasting (for improved crop management).

U.S. Department of State

The Department of State plays a vital role by assuming commercial functions at all U.S. embassies except the five that have Commercial Service offices. These activities include running commercial libraries, conducting catalog and trade shows, promoting linkages between U.S. and foreign firms, and disseminating information on trade and investment opportunities. Economic officers report on economic conditions and investment climates, provide information on project tenders, and encourage foreign government compliance with international organizations such as the WTO (on trade matters) and the World Bank and IMF (on financial and development matters). In addition, the State Department plays the leading role in organizing the annual U.S.-Africa Economic Cooperation Forum which engages Minister-level participants from selected African nations and their U.S. Cabinet counterparts in a dialogue on economic issues.

U.S. Department of Transportation

During his mission to Africa this year to meet with African Ministers of Transport, Transportation Department Secretary Slater kicked off the Transportation Initiative and Partnership with Africa. This Initiative is premised on the belief that the development of safe and efficient transportation systems is vital to Africa's continued growth and economic development. During President Clinton's mission to Africa, Secretary Slater concluded deals worth nearly $75 million in U.S. exports and joined the President in unveiling the Safe Skies for Africa Initiative.

U.S. Department of Agriculture (USDA)

The USDA's strategic efforts in Sub-Saharan Africa are four-pronged. First, the USDA's export assistance programs include export credit guarantees through the GSM and P.L. 480 Title I programs, together totaling $170 million in assistance. Second, the USDA will provide technical assistance and training to support collaborative research programs; educational and scientific exchange programs; and workshops and seminars in agribusiness development. Third, the U.S. Secretary of Agriculture co-chairs the U.S. Interagency Working Group (established as a follow-up to the 1996 World Food Summit), where efforts are being made to develop a food security plan of action for countries of Sub-Saharan Africa. Fourth, USDA policy officials are engaging in increased public and private dialogue, including the U.S. Secretary of Agriculture's Chairmanship of the Agriculture Committee of the U.S.-South Africa Binational Commission. In addition, the USDA is expanding its Agricultural Trade Office (ATO) network by opening a new ATO in South Africa.

Ex-Im Bank

Ex-Im Bank has established a private sector Sub-Saharan Africa Advisory Committee to advise the Bank on the development and implementation of policies and programs to support the expansion of the Bank's financial commitments on the continent under its loan, guarantee, and insurance programs. Immediately after President Clinton's historic trip, Chairman Harmon traveled to Namibia, South Africa, and Zimbabwe to assure U.S. and African business communities that the Ex-Im Bank is open and active in Southern Africa, prepared to consider new business, and intent on establishing new relations with government and corporate leaders. At its Annual Conference, the Bank, in cooperation with the Corporate Council on Africa, held workshops on "Doing Business in Africa," targeting the 1,250 bankers, exporters and insurance brokers attending.

U.S. Department of Labor

The Department of Labor has begun work to improve the ability of the South Africa Labor Ministry to enhance labor-market information, strengthen labor standards and training and enforce laws. Similar assistance could be available to other interested countries.

U.S. Department of the Treasury

The Department of the Treasury has undertaken a number of activities under the Partnership. Secretary Rubin visited five African countries this year to promote economic reform, private sector investment, financial market development, regional integration, and good governance. Debt reduction is being addressed bilaterally and multilaterally, including through the Paris Club and the Heavily Indebted Poor Country (HIPC) initiative. Several African countries received firm commitments this year for debt relief under HIPC. The Partnership also calls for forgiving all concessional debt of eligible countries. In FY 1999, the U.S. expects to provide up to $1.6 billion in debt reduction for African countries. Consistent with the objectives of the Partnership, Treasury encourages the International Monetary Fund, the World Bank, and the African Development Bank to draw a sharper distinction between better and poorer reformers in the allocation of funds, debt relief, and technical assistance. Treasury is conducting a dialogue with finance Ministers from reforming African countries through symposia on economic reform, trade, and investment. This dialogue has helped pave the way for the cabinet-level Forum that will be part of the Partnership.

Conclusion

While the Senate considers *The African Growth and Opportunity Act*, the Executive Branch is moving to implement provisions of the President's Partnership Initiative that do not require new legislation. But one thing is clear: The future of the U.S.-African trade and investment relationship is brighter as a result of Africa's determination to build its future prosperity on free markets, and the readiness of governments on both sides to engage in a new spirit of commercial support and cooperation. We can truly speak of Africa as the overseas business frontier for the 21st Century.